

FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION

IN RE: Case No. 08-36705-bjh11  
Superior Parts, Inc. Chapter 11  
V. Date: 2/26/2009  
(DEBTOR) TIME: 1:40 P.M.

VOLUME 1 OF VOLUME 1  
HEARING BEFORE THE HONORABLE BARBARA J. HOUSER,  
UNITED STATES BANKRUPTCY JUDGE

A P P E A R A N C E S:

Stephen A. Roberts  
Strasburger & Price, LLP  
600 Congress Ave., Ste. 1600  
Austin, TX 78701  
(512)499-3600  
(512)499-3660 (fax)

-AND-

Duane J. Brescia  
Strasburger & Price LLP  
600 Congress Ave., Ste. 1600  
Austin, TX 78701  
(512)499-3600

(telephonically present)  
representing Superior Air Parts, Inc.  
621 S. Royal Lane,  
Suite 100  
Coppell, TX 75019-3805  
(Debtor)

1 Deirdre B. Ruckman  
2 Gardere, Wynne & Sewell  
3 1601 Elm St., Suite 3000  
4 Dallas, TX 75201  
5 214-999-4250  
6 214-999-3250 (fax)  
7 druckman@gardere.com

8 -AND-

9 William B. Freeman  
10 Pillsbury Winthrop LLP  
11 725 S. Figueroa St.  
12 Ste. 2800  
13 Los Angeles, CA 90017-5406  
14 representing Textron, Inc.,  
15 Avco Corporation  
16 (Creditors)

17 Shari L. Heyen  
18 Greenberg Traurig, LLP  
19 1000 Louisiana  
20 Suite 1800  
21 Houston, TX 77002  
22 713-374-3500  
23 713-374-3505

24 representing Illinois Insurance  
25 Company

17 Elliot Schuler  
18 Baker McKenzie  
19 2001 Ross Avenue  
20 Dallas, TX 75201

21 representing Creditors' Committee

22 Larry K. Hercules  
23 1400 Preston Road, Suite 280  
24 Plano, Texas 75093  
25 representing Zanzi

26 Phelan, Robin E -  
27 Haynes & Boone  
28 901 Main St # 3100, Dallas, TX  
29 ~~(214) 651-5612~~

1 representing Teledyne Continental  
2 Motors

3  
4 Kevin Goode  
5 Conner & Winters, LLP  
6 Carillon Towers East  
7 13601 Preston Rd., Ste. 940E  
8 Dallas, TX 75240  
9 214-446-1003

representing Aviation Parts Supply,  
Inc.  
511 E. John Carpenter Freeway  
Suite 440  
Irving, TX 75062  
(Creditor)

10  
11 LOCKE LORD BISSELL & LIDDELL LLP  
12 Mr. Liddell  
13 2200 Ross Avenue, Suite 2200  
14 Dallas, Texas 75201-6776  
15 Telephone: 214-740-8000  
16 Fax: 214-740-8800

representing Lloyd's of London

1 THE COURT: Be seated, please. All  
2 right. We have Superior Air Parts this  
3 afternoon.

4 Mr. Roberts, I'll take appearances from  
5 counsel, please.

6 MR. ROBERTS: Steve Roberts and Duane  
7 Breshia for Superior Air Parts.

8 THE COURT: Ms. Ruckman.

9 MS. RUCKMAN: Thank you, Your Honor.  
10 Dee Ruckman for Textron, Inc. and Avco  
11 Corporation.

12 MS. HEYEN: Good afternoon, Your Honor.  
13 Sherry Heyen for Illinois National Insurance  
14 Company.

15 MR. LIDDELL: Good afternoon, Your Honor,  
16 Mr. Liddell on behalf of Lloyd's London.

17 MR. SCHULER: Good afternoon, Your  
18 Honor. L.H. Schuler on behalf of the Creditors'  
19 Committee.

20 THE COURT: Mr. Hercules.

21 MR. HERCULES: Good afternoon, Your  
22 Honor. Larry Hercules for Zanzi.

23 MR. GOODE: Your Honor, good  
24 afternoon. Kevin Goode, Aviation Parts Supply.

25 THE COURT: Mr. Phalen.

1 MR. PHALEN: My name is Phalen. I  
2 represent Teledyne Continental motors.

3 THE COURT: All right. We had a request  
4 for a phone appearance so let me add --

5 (Court calling phone participants.)

6 THE COURT: Well, having been told twice  
7 that the pass code that I've been given isn't  
8 right, I'm going to not try it again, so --

9 MR. ROBERTS: Your Honor, are you trying  
10 to bring in Mr. Chester SalomOn?

11 THE COURT: Yes.

12 MR. ROBERTS: He had sent a letter with  
13 his phone number. We've sent out a notice  
14 advising parties we're not going with the  
15 hearing.

16 THE COURT: All right. So, he's --

17 MR. ROBERTS: Your Honor, this morning  
18 Superior Air Parts concluded the Auction of its  
19 assets pursuant to the Order Approving Debtor's  
20 Expedited Motion to Approve Bid Procedures for  
21 Sale of all of Debtor's Assets Free and Clear of  
22 Liens. After considering the terms and  
23 conditions of the offers of the two qualified  
24 bidders, the Debtor has decided to exercise its  
25 rights pursuant to the approved idding

1 procedures, reject the offers submitted as being  
2 contrary to the best interest of the Debtor, the  
3 estate, and the creditors. Essentially, we're in  
4 a position where we would be in breach of certain  
5 representations and warranties of the terms that  
6 were offered, and that's -- we would be in a  
7 position of having locked up the assets of the  
8 estate indefinitely while the parties -- if we  
9 had chosen a bid, would determine whether they  
10 could or would close in light of a antitrust  
11 investigation that just got started, so we  
12 decided that was best for the estate after  
13 consulting with the Creditors' Committee.

14 THE COURT: All right. So, Mr. Roberts,  
15 where does that leave us? Where are you  
16 intending to head with this case at this point,  
17 if you know?

18 MR. ROBERTS: Well, we've had these  
19 conversations. We have other interested buyers.  
20 We have buyers for different parts of this  
21 business. I think the antitrust is something  
22 that's come up and made us rethink how to break  
23 up the business potentially.

24 We have \$1.8 million in cash. We have  
25 operating expenses of about 200,000 a month, a

1           \$400,000 insurance premium due quarterly. We  
2           have inventory at 8.36 million dollars. We have  
3           a accounts receivable of several million, I don't  
4           know what, so the Debtor's in a position where we  
5           can formulate --

6           THE COURT: Step back and think about  
7           this a bit further.

8           MR. ROBERTS: Yes. And there are no  
9           affected secured creditors. We have a letter  
10          consenting to the use of cash collateral by the  
11          unperfected secured creditor.

12          THE COURT: Fair enough. Mr. Phalen.

13          MR. PHALEN: Your Honor, I think  
14          Ms. Ruckman and I just want to make sure that the  
15          order reflects that our clients are -- that the  
16          deposits are returned to our clients.

17          MR. ROBERTS: Your Honor, we would like  
18          to submit an agreed order. The deposits are in  
19          my firm's account. Both parties are entitled to  
20          their deposits.

21          One thing. On the deposit from Textron  
22          that was made, 350,000, under the original  
23          bidding procedures approved by the Court, we were  
24          entitled to use some of that cash to give notice  
25          to hundreds of thousands of people, so when we're

1 -- we're going to ask to be able to pay them  
2 back, so they will get the full 350. I believe  
3 it was about \$75,000.

4 MS. RUCKMAN: That's correct, Your  
5 Honor. It's my understanding that the Debtor has  
6 sufficient funds, as Mr. Roberts stated, so they  
7 can return the full 350,000 now.

8 THE COURT: Very well.

9 MS. RUCKMAN: Thank you.

10 THE COURT: Then if you'd include those  
11 provisions in the order. Does anyone else wish  
12 to be heard in connection with this matter?

13 MS. HEYEN: Yes, Your Honor. Sherry  
14 Hein for Illinois National Insurance Co. Just to  
15 apprise the Court, we filed a Motion for Adequate  
16 Protection last night, and I think we'll just go  
17 ahead and withdraw that as moot given that  
18 there's no sale that will be pending, and we will  
19 withdraw that without prejudice for refiling for  
20 a later date.

21 THE COURT: Very well. Good. We are in  
22 recess.

23  
24 (END OF PROCEEDINGS)  
25



CERTIFICATE

I certify that the foregoing is a  
correct transcript from the electronic sound  
recording of the proceedings in the above-  
entitled matter.

\_\_\_\_\_  
Darla M. Chavez, Transcriber

Dated:\_\_\_\_\_

\*\*Note: Any spellings not available to  
transcriber are indicated with (phonetically  
spelled)

\*\*Note: Areas not understood by transcriber are  
marked by (unintelligible at\* and then the number  
corresponding to digital recording)